FSA Borrower Services

Common Services for Borrowers (CSB)

Integration Leadership Support Briefing

May 17, 2004

➢ Common Services for Borrowers (CSB) is a business system in the Borrower Services channel of FSA.

➢ Business Owners:

- Sue Szabo, General Manager of Borrower Services

- Patricia Dorn, Deputy GM

- Dan Hayward, Transition Lead for CSB

- Michael J. Murray, COR

- Gary Hopkins, Director of Debt Collections

- Denise Leifeste, Director of Direct Loan Consolidations

- Dwight Vigna, Director of Direct Loan Servicing

- Business Functions Performed by CSB:

  CSB services all student aid obligations, regardless of their status (In-school, deferment, forbearance, delinquent, defaulted, etc.) that are held by the Department. Servicing includes billing, interest accruals, customer service support, printing and mailing, assigning to PCAs, skip tracing, lockbox and payment processing, etc.

CSB Background & Overview

➢ Common Services for Borrowers (CSB) first seriously discussed in May 2002.

➢ CSB goals:

- Replace legacy systems and contracts with new, integrated solution
  - Direct Loan Servicing System - DLSS
  - Direct Loan Consolidation System – DLCS
  - Debt Management Collection System – DMCS
    and a portion of Public Inquiry Contract – PIC
  - Conditional Disability Discharge Tracking System - CDDTS
- Dramatically reduce costs
- Improve customer service using eCRM and virtual call center
- Promote more self-servicing via the Web and IVRs
- Comply with Department/FSA standards

➢ CSB procurement efforts began in April 2003

- "Draft" Statement of Objectives first posted on FedBizOps February 2003
- Evaluation and negotiations
- Contract awarded November 20, 2003
- 5 base years with 5 one-year options

➢ The awarded contract is a 5 year contract with 5 option years. This provides:

- Stability in operations of major systems
- Lower costs due to longer amortization of costs
- Performance-based with incentives to lower delinquency and default
- Incentives for contractor to improve customer satisfaction
- Dept. owns software at end of contract

➢ Legacy contracts were retired on December 31, 2003 but the systems and associated functionality continues

➢ CSB pricing began on January 1, 2004

- Provides immediate decrease in operational costs
- Provides significant risk mitigation during development/implementation

➢ Reduced Deliverables from hundreds down to less than a dozen

➢ Implemented Incentives and Disincentives

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➤ CSB Pricing Structure

- Del #1 – Borrowers in an "IN SCHOOL" status

- Del #2 – Borrowers in "GRACE" or in "<u>CURRENT</u> REPAYMENT" status

- Del #2.2 – Borrowers in "DEFERMENT" or "FOREBEARANCE" status

- Del #2.3 – Borrowers DELINQUENT 31 – 90 days

- Del #2.4 – Borrowers DELINQUENT 91 – 150 days

- Del #2.5 – Borrowers DELINQUENT 151 – 210 days

- Del #2.6 – Borrowers DELINQUENT 211 – 360 days

- Del #3   – Borrowers in DEFAULT

- Del #4   – Borrowers in CONDITIONAL DISABILITY status

- Del #5   – N/A

- Del #6   – Loans Consolidated

- Del #7   – Loans Transferred to another Service Provider

* CSB reduced the number of deliverables from several hundred (across 5 legacy contracts) to less than a dozen. Pricing in comprised of fixed price, tiered pricing for repayment borrowers, consolidations, defaulted loan collections, and Conditional Discharge tracking. Additionally, tiered pricing is used to pay for repayment borrowers based on the status. Borrowers who are <u>current</u> and repaying earn the highest monthly rate and delinquent borrowers earning successively less as their delinquency increases.

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Incentives and disincentives also exist

➢ CSB will manage all types of Title IV student aid obligations including Direct Loans, defaulted and other student aid debts assigned to ED from FFEL lenders/GAs, rehabilitated loans, and other student aid obligations.

➢ CSB will combine "common" functions and common data from four existing student aid-related legacy contracts. Unique (non-common) functions exist and will be retained (and enhanced).

- Common functions include payment processing, borrower counseling, accounting, imaging, workflow, printing, etc.
- Common data includes demographics and some financial data, images, etc.
- Unique functions include AWG, TOPS, ICR, etc.

➢ CSB strategy leverages business processes across multiple programs to gain economies of scale, reduce redundancy in data and integrate similar functions. CSB has long been viewed as an appropriate way to service the Department's Student Aid assets.

➢ CSB will comply with the existing Department and FSA strategies and other major project objectives:

- FSA's Data Strategy
- Use FSA's Virtual Data Center
- MQ-series, Siebel, Oracle, HP-UX
- Data circuits encrypted

Current Strategy and Status

➢ FSA's acquisition strategy addressed several business problems:

- Provides incentives to contractor to lower delinquency and reduce defaults

- Eliminates many accounting issues and assists in gaining clean audit

- Simplifies contract administration

➢ This strategy was chosen over other potential alternatives because it fully complied with a protest resolution requirement AND it had the potential to provide a significantly improved solution.

➢ CSB will smoothly integrate into FSA's conceptual approach to FIBI and with efforts to optimize portfolio management.

➢ Shared common data will:

- Reduce data redundancy and eliminate many data reconciliation points by using a common Data Warehouse

- Lower costs for these large systems through economies of scale, reduced contract administration, and the use of universal service agents

- Improve responsiveness to - and satisfaction of - CSB customers

- Reduce fraud, waste and abuse through coordinated default aversion activities and better "data mining" capabilities

- Greater compliance with Department technical architecture standards, etc.

- Improved communications with other trading partners

Progress Against Major Milestones

➢ CSB Transition/Implementation

- Currently conducting development activities

- Phase 1 – Front Office Integration – January 1 through July 31, 2004[1]
  - Implement HP-UX development environment
  - Build new CSB Data Warehouse and Data Mart using Oracle 9i
    - Populate data warehouse with DLSS and LC demographic data
    - Populate data mart with CMDM and DLDM data (financial and delinquency)
  - Rewrite Loan Consolidation
    - Provide web-based real-time consolidation
    - Access data warehouse for consolidation data
  - Modify DLSS to access data warehouse for demographics
  - Implement eCRM at Loan Consolidation using Seibel
  - Retire LC

[1] ACS has requested a re-baselining of the project. It is expected that the implementation dates will slip from 4 to 16 weeks from this schedule.

- CSB Transition/Implementation

  - Phase 2 – 15 months beginning January 1, 2004[1]

    - Port/Reengineer Direct Loan Servicing system on HP-UX and Oracle 9i
    - Integrate and implement "Quester" to replace old Debt Collection (DMCS) system
    - Rewrite Conditional Disability Discharge system on HP-UX
    - Move remaining DLSS, DMCS and CDDTS data to data warehouse and data mart
    - Implement eCRM in Quester (eCRM already in DLSS)
    - Implement CSB Web site for all customers
    - Retire DLSS, DMCS, CDDTS plus retire DLDM and CMDM

  - Phase 3 – 9 months beginning December, 2004[1]

    - Migrate Production (only) to VDC
    - Final integration of various Web/Production components (Panagon, eDocs, etc.)
    - Siebel/Panagon Integration
    - Siebel/Web Chat, eGain Integration
    - Siebel Knowledge Management Integration
    - Migrate CSB Solution and Common Data Repository, EMS, including Data Mart, to VDC
    - Complete Transition to CSB.

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Risk Management

➢ CSB will reduce the number of systems (and contracts) from 5 to 1. The number of "contract deliverables" will be reduced from hundreds to a few. Costs will be lower by more than $1 Billion if contract goes full 10 years and volume estimates are achieved.

➢ Overview of steps being taken to ensure success given the high-risk nature of the project

- Existing, knowledgeable contractors and existing legacy systems will be leveraged into CSB. This is NOT a "write from scratch" effort. The CSB Team has many years experience providing similar services to borrowers.
  - Award-winning DLSS Customer Service (American Customer Satisfaction Index of 77.1 and Award-winning DLSS Web Site (Government Technology Award) are basis for much of the design
- Implement CMMi Level 3 methodologies
- FSA and an IV&V will independently monitor progress
- An Executive Management System (EMS) will provide metrics on development, testing, issue tracking, etc.
- Legacy systems continue to operate until ED authorizes shutdown
- New, lower pricing regardless of execution
- And, I'm sure we'll get plenty of help ☺

Risk Management

Major Risks

1. Change to Requirements and Scope Creep

2. IDMS to Oracle Conversion

3. Migration to VDC

4. Adhere to Performance Concept

5. Project Delays – Contractor Issues

Critical Success Factors

1. Minimize changes (fixes only) to legacy Systems. Counsel Senior Management if new mandated requirements arise.

2. Convert DMCS legacy data with no data issues remaining at implementation date.

3. Close coordination with FSA, VDC and VDC. Several of the legacy systems are already hosted by VDC. Dedicated FSA resources assigned to this task.

4. Dept. must allow Contractor to provide solution and ED monitors compliance with Regulations, Statutes and performance requirements.

5. Seamless to borrowers – will be achieved due to parallel operations of "legacy systems" until ED approves solution.

Risk Management

Additional Risks

1. Short timeline

2. Certification and Accreditation

3. Minimal FSA resources

4. Prime/Sub Contract issues

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Architecture – End State

Oracle 9i production	3 HP RP8400 12 processor servers, 12 GB memory/server
Application Servers	6 HP RP8400, 8 processor server, 12 GB memory/server
Web Servers	4 entry-level HPRP2470 2 processor servers, 4 GB memory
Load Balancers	2 HP DL380 single processor servers, 1 GB memory/server
MQ Servers	2 entry-level HP 4 processor RP5400, 4 GB memory/server
LDAP	ED provided
Backup Server	1 HP RP8400 server with 8 processors, 12 GB memory

The following applications will run on the Microsoft NT Server Platform:

Microstrategy NarrowCast and Intelligence	2 Intel ML 570 servers.
Seibel CRM suite, eGain, SMTP and FTP	7 DL380 servers.

Note: ACS has requested that this slide be considered Proprietary to their specific solution

Architecture – End State

Database   Oracle 9i and Oracle 9iRAC
Application Servers   WebSphere Enterprise Edition 5.0
Communications and Directory Services:

    Emulation   Hummingbird Exceed 6.1
    Directory services   LDAP
    Transfer protocol   TCP/IP
    Remote access   Cisco Secured RADIUS
    VPN   Checkpoint VPN1
    External connections   ATM

Web Servers   IBM HIS Server
Software Tools   Rational suite and other tools:

    Data modeling   Rational Rose 2001a
    Requirements   Requisite Pro
    Code &configuration management Rational Clear Quest/ClearCase
    Application testing   Rational Test Manager
    Development   WebSphere Studio AD 5.0 and
                              Sun JAVA JDK 1.3

Security - CSB will use several security products, including:

    Firewalls   CheckPoint VPN1
    Digital certificates   Netscape Certificate Server
    Encryption   Router Encryption (DES3)
                              RSA Bsafe
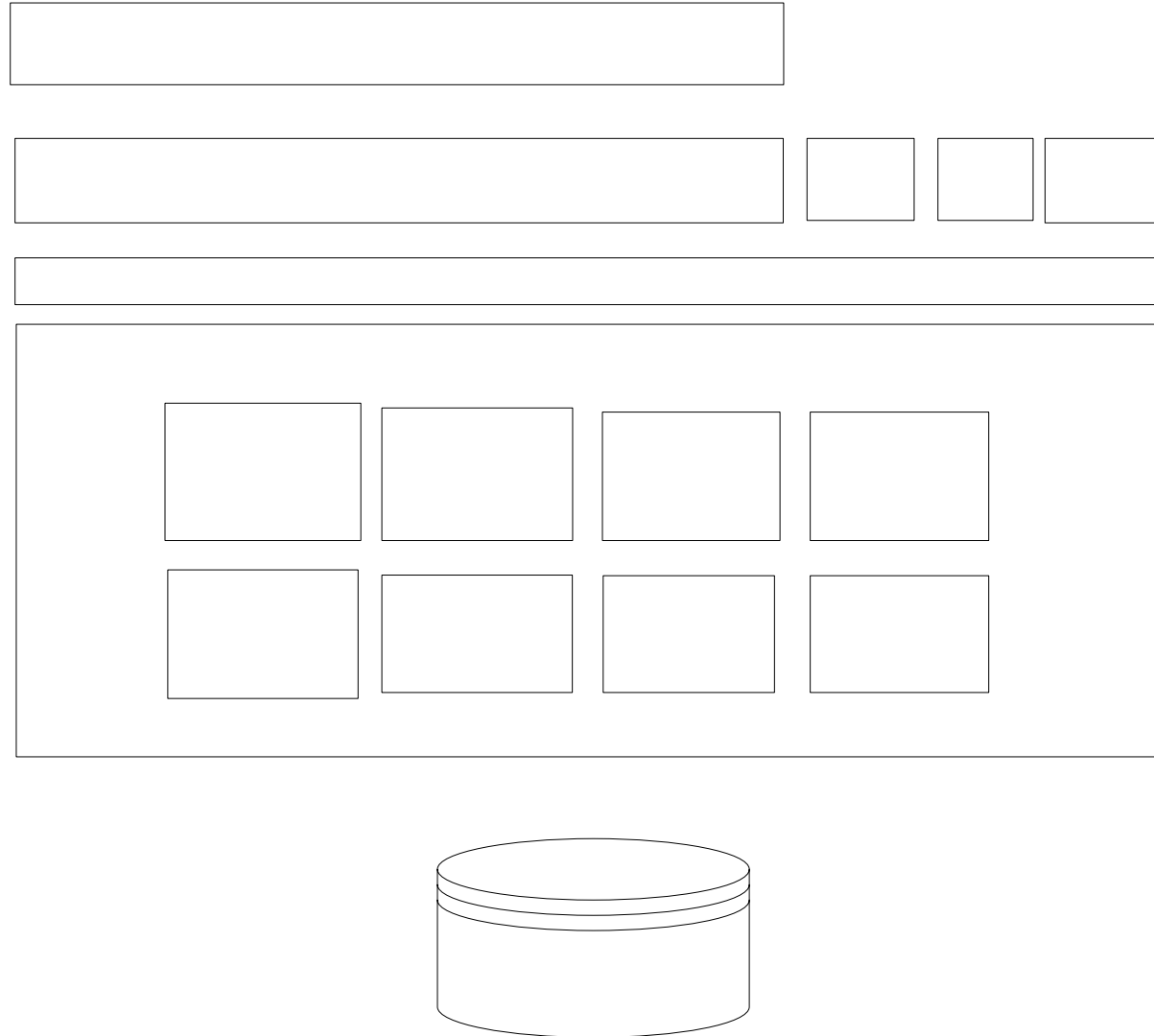   RSA Bsafe Libraries

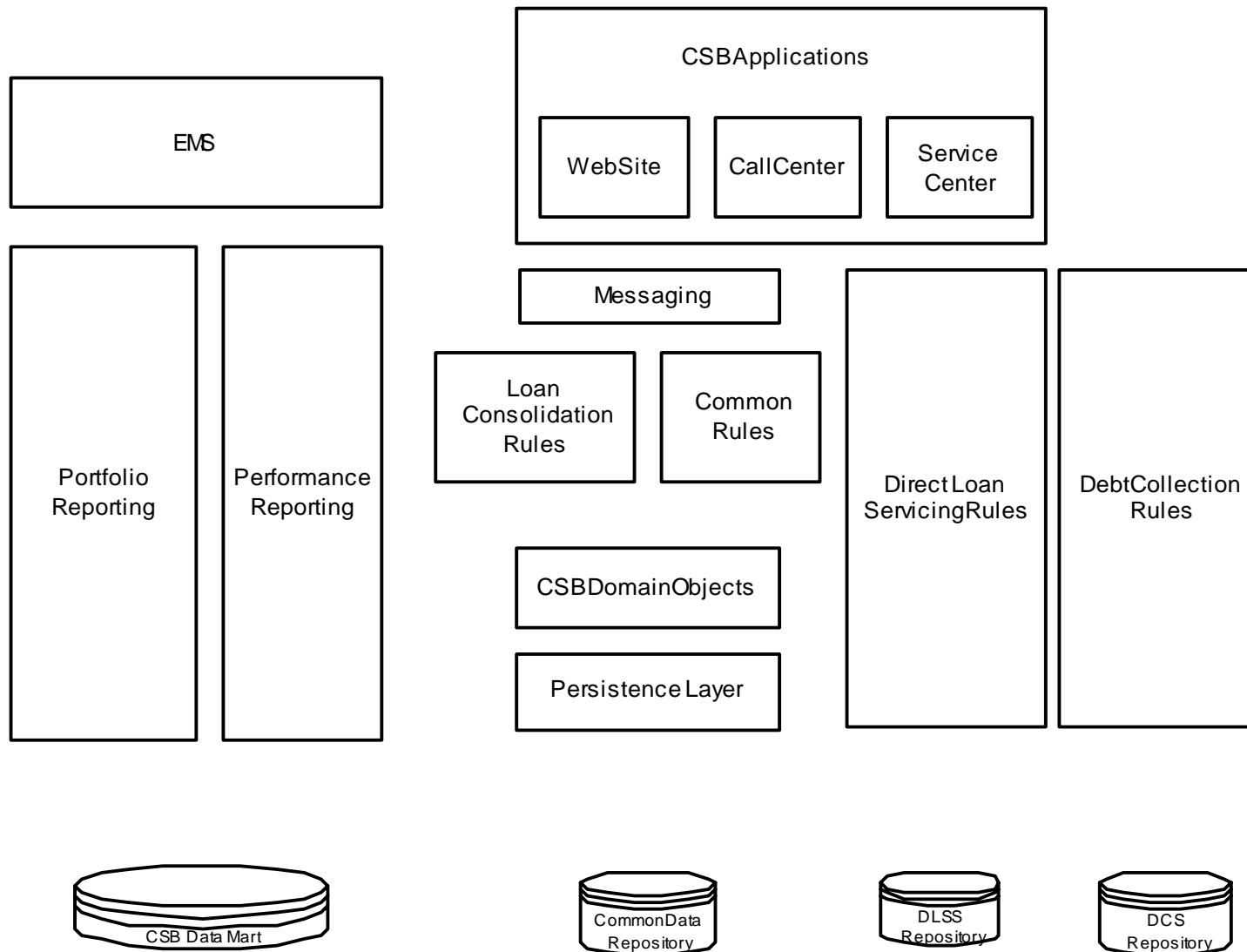   Intrusion detection   Tripwire

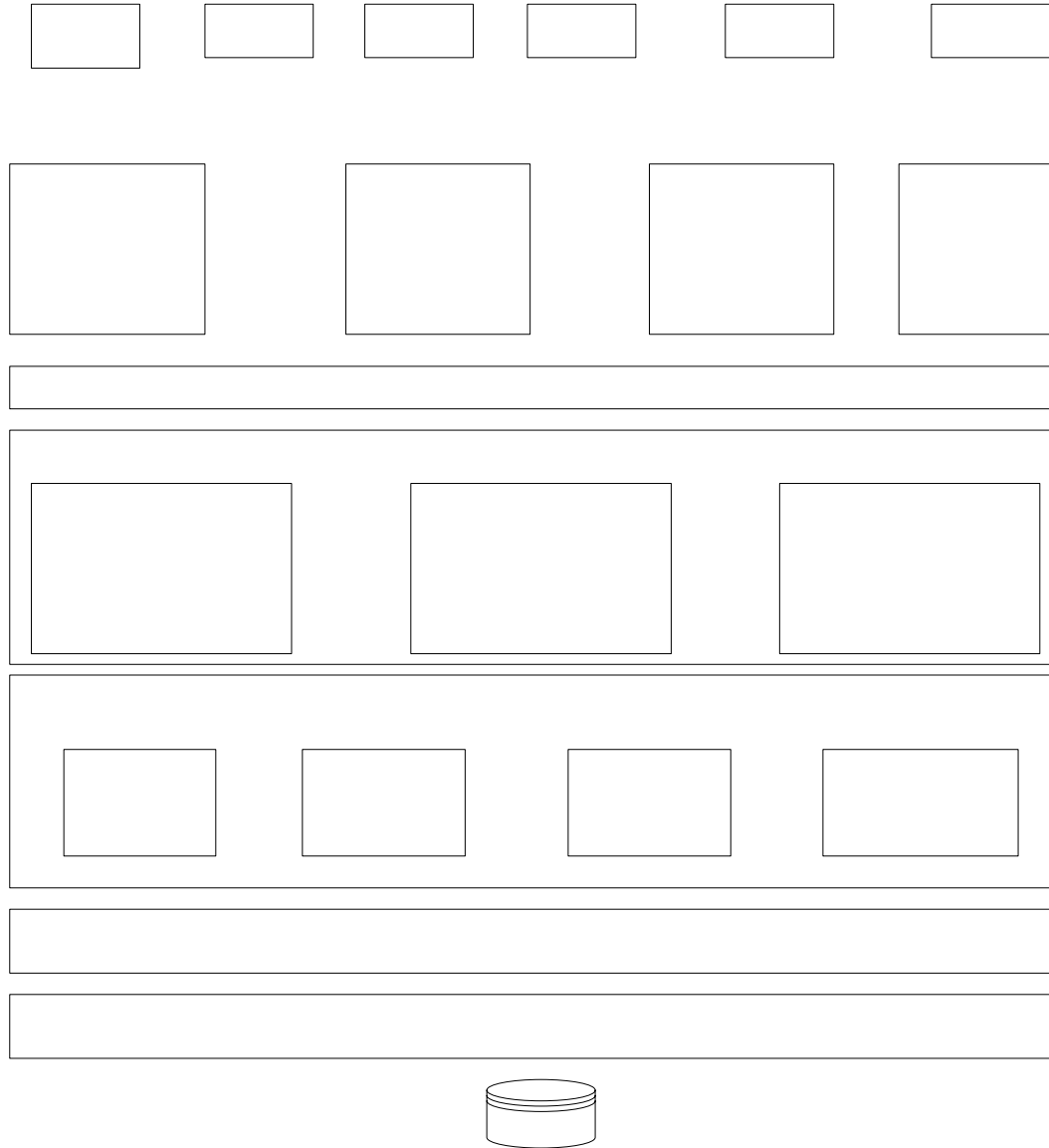Note: ACS has requested that this slide be considered Proprietary to their specific solution

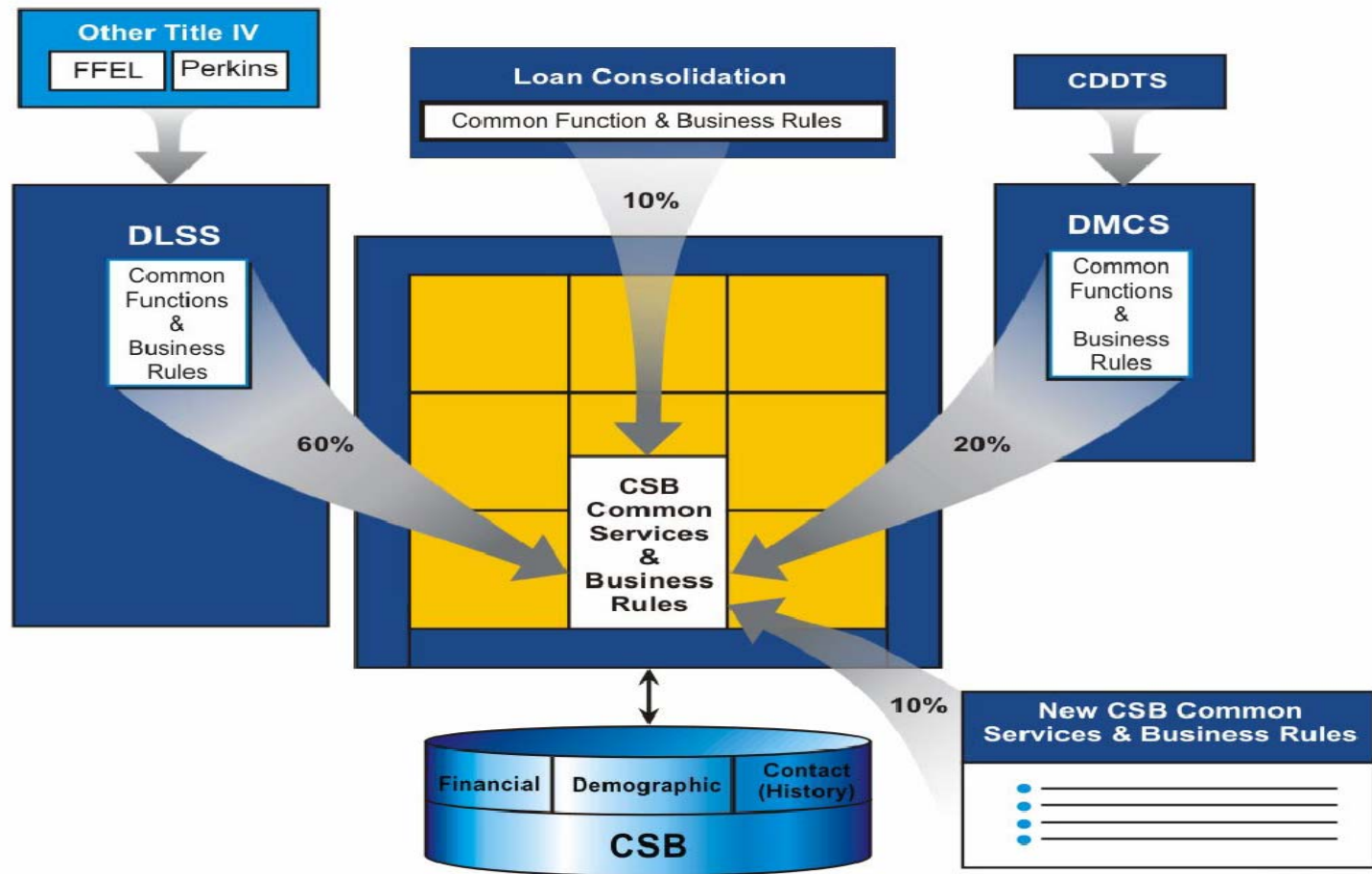# Architecture – High Level

Architecture – Phase 1

EMS

CSBApplications
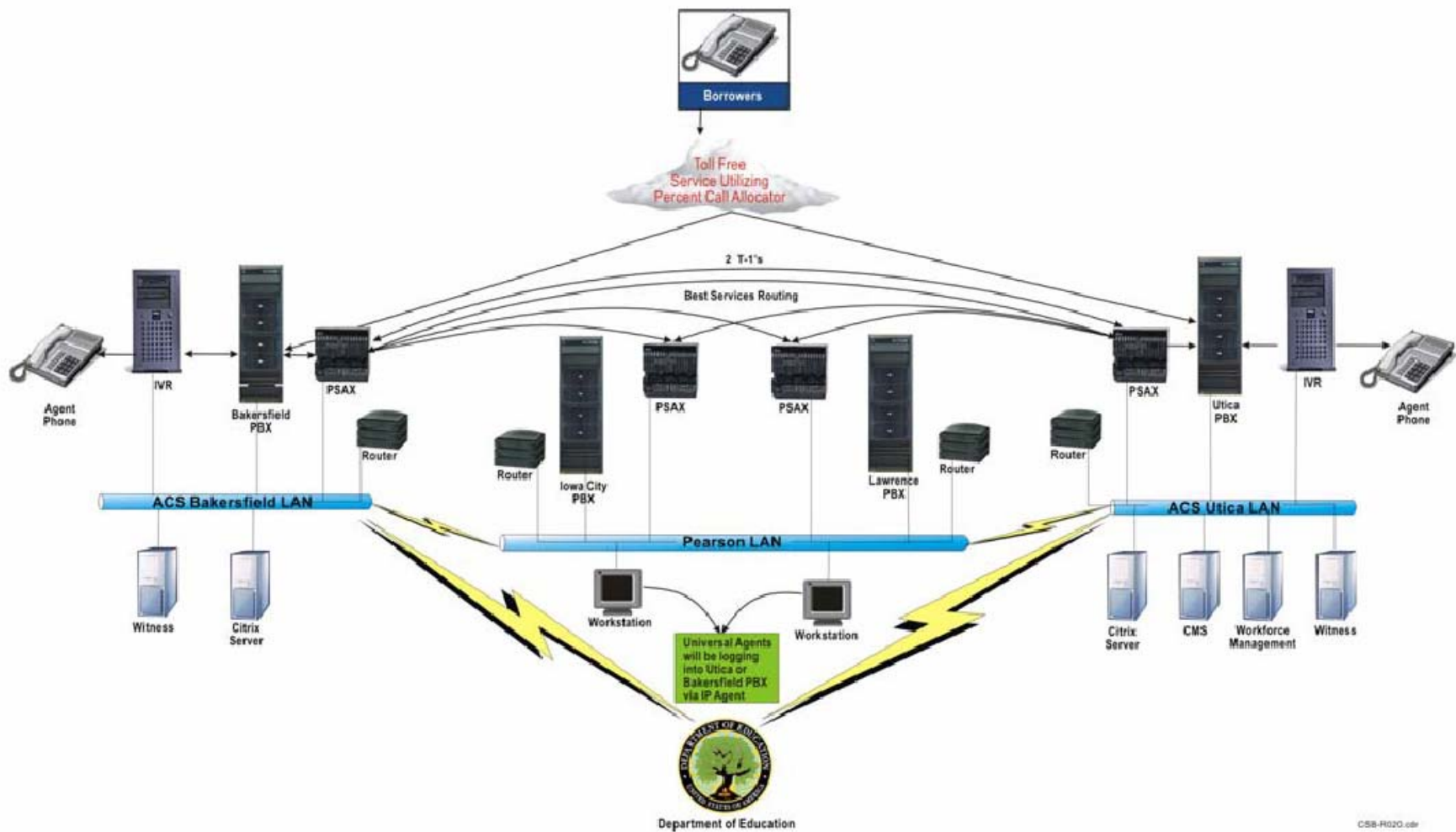
WebSite

CallCenter

Service Center

Portfolio Reporting

Performance Reporting

Messaging

Loan Consolidation Rules

Common Rules

Direct Loan ServicingRules

DebtCollection Rules

CSBDomainObjects

Persistence Layer

CSB Data Mart

CommonData Repository

DLSS Repository

DCS Repository

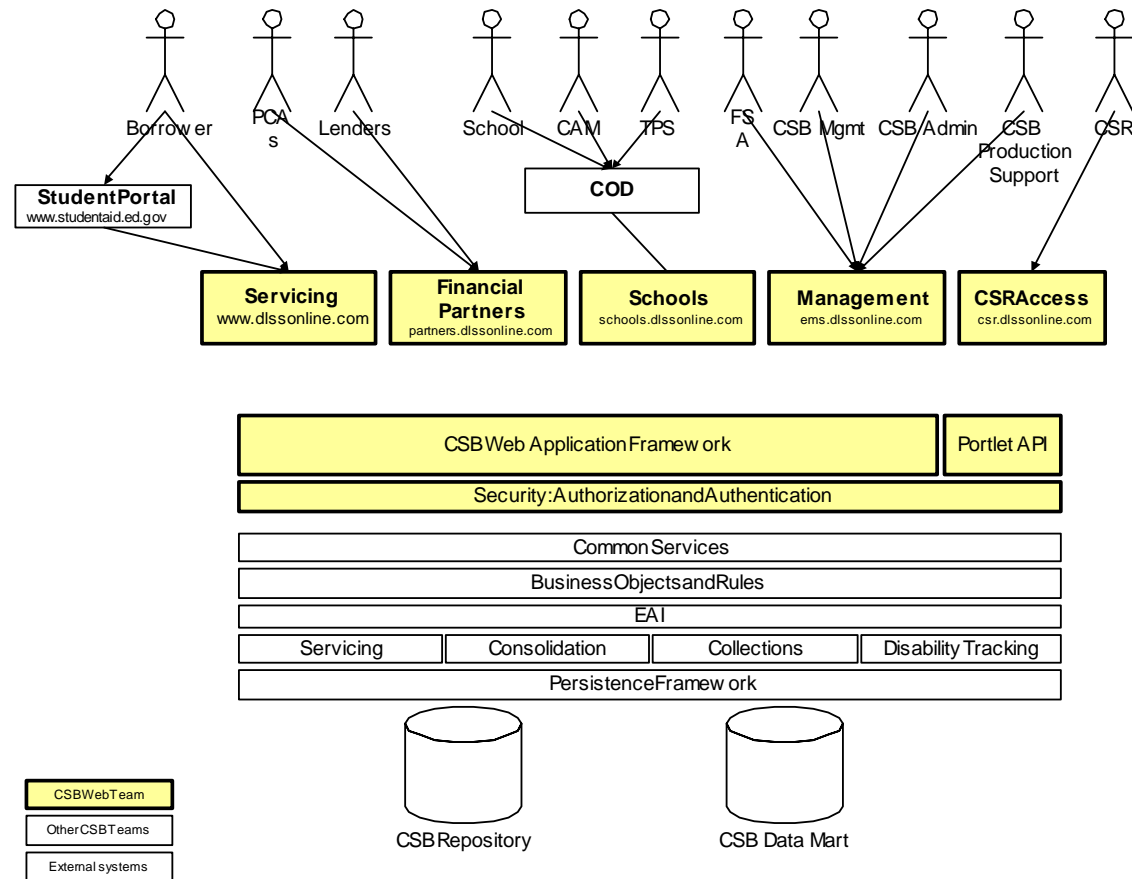# Architecture – Phase 2

IRS

Ext

CSB-152-CDR

Architecture – Communications Topology

Architecture – Web Topology

Web Presentation: After Phase 2

Pattern for new Common Services

Common Service Access w/Security

Application Layer

Interface Layer